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SOUTH CAROLINA PUBLIC SERVICE COMMISSION
DOCKET NO. 2001-001-E
DIRECT TESTIMONY OF CAROLINA POWER & LIGHT COMPANY

WITNESS RONALD R. PENNY

FEB 14 2001

Q. Please state your name, address, and position with Carolina Power & Light Company.

A. My name is Ronald R. Penny and my business address is 412 S. Wilmington Street, Raleigh, North Carolina. My position is Director – Regulatory Services, Progress Energy Service Company.

Q. Please describe your educational background and professional experience.

A. I obtained a Bachelor of Science Degree in Electrical Engineering from North Carolina State University and then joined the Company's Rates and Service Practices Department as a Research Analyst in 1975. Since that time, I have held various positions in the Rates, Engineering, Treasury and Accounting departments at CP&L. During this time period, I have been involved in numerous retail and wholesale rate proceedings. I have sponsored testimony before this Commission as well as the Federal Energy Regulatory Commission and the North Carolina Utilities Commission.

Q. What is the purpose of your testimony?

A. The purpose of my testimony is to: review the Company's fuel cost and revenue collection for the period January 2000 through December 2000; present projected fuel cost for the period April 1, 2001 through March 31, 2002; and recommend a

RETURN DATE: OK
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fuel factor to be effective April 1, 2001.

Q. Please explain Penny Exhibit No. 1.

A. Penny Exhibit No. 1 is a summary of CP&L's actual system fuel cost and kilowatt-hour sales experienced during the period January 2000 through December 2000. The exhibit first itemizes fossil fuel costs by type of generation resource -- coal, oil, or gas -- and indicates the type of generating unit which consumed the fuel. The total fossil fuel expense is shown on line 9.

The fossil fuel expense is added to emission allowance expense on line 10, nuclear fuel expense on line 11 and the net purchased power expense shown on line 14 to provide the total system fuel expense as shown on line 15. Line 16 is a summary of net system kilowatt-hour sales associated with the incurred fuel expense. Line 17 indicates the system cost of fuel per kilowatt-hour sold each month.

Q. How did the fuel revenue billings compare to the actual fuel costs incurred during the historical period January 2000 through December 2000?

A. Penny Exhibit No. 2 is a monthly comparison of the revenues billed South Carolina retail customers through the base fuel component of our approved general rates to the actual fuel costs attributable to those sales. Lines 6 and 14 represent the monthly collection of fuel cost with the corresponding revenue factors approved by the Commission. Lines 8 and 16 represent the cumulative recovery of our fuel expense during this 12-month period. Through December 2000, the Company was \$19.0 million under recovered in fuel expense as shown

on line 16 of the exhibit.

Q. Please explain Penny Exhibit No. 3.

A. Penny Exhibit No. 3 demonstrates the calculation of a base fuel component of 1.522¢/kWh for the 12-month period April 2001 through March 2002, consisting of a component for recovery of projected fuel expense for this period and a component to collect the projected under recovery at March 2001. I am projecting the adjusted under recovery to be \$13.9 million. The net fuel factor calculated on this exhibit is performed in accordance with the fuel statute, which requires the Company to submit this information to the Commission.

Q. Please explain Penny Exhibit No. 4.

A. Penny Exhibit No. 4 is a continuation of my Exhibit No. 2 showing projected costs and revenues, by month, for the period January 2001 through March 2002 and is based on the most current fuel cost information available. The projection assumes scheduled maintenance and refueling outages for certain of our nuclear generating units based on the latest plan and includes forced outage rates for fossil units based upon historical outage data. The exhibit continues the use of the current base fuel component of 1.265¢/kWh for the January through March 2001 period and a base fuel component of 1.522¢/kWh for the period April 2001 through March 2002.

Q. What fuel factor are you recommending in this case?

A. CP&L is asking the Commission to approve a fuel factor of 1.522¢/kWh in this case to recover the eligible under recovery at March 2001 and projected cost for

the next period.

Q. **Does that conclude your testimony?**

A. Yes, it does.